The Future of Sustainability Reporting: How Leading Tools are Evolving and Complementing One Another

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Reporting 3.0
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About
Reporting 3.0: Open Source R&D for Scalable Transformation

• **Global Public Good:** Operating under OnCommons (a non-profit gGmbH registered in Germany), Reporting 3.0 curates a multi-stakeholder community generating “open source” knowledge in a neutral, pre-competitive space to revitalize the global Commons.

• **Positive Mavericks:** Constructive engagers who transcend incrementalism to achieve necessary transformation.

• **Scalable Ambition:** Acting at the micro level to design next-generation reporting that triggers macro systems level change, spurring the emergence of a green, inclusive and open economy.

• **Blueprinting the Future:** Expert Working Groups vet Blueprints on Reporting, Accounting, Data & New Business Models that make transformative Recommendations.

• **Piloting Next Generation Practices:** Beta Testing Program Members pilot Recommended practices to prove feasibility and then scale up change with support from Advocation Partners.
Positive Mavericks

- Work constructively (not destructively) toward positive change;
- Think independently, challenging personal & institutional constraints, structural limitations, unconscious biases & shadow agendas;
- Backcast from a desired future, building bridge foundations on the far side of the river and spanning backwards to meet the present;
- Catalyze transformation from the foundations of incremental change;
- Act at the scale and pace dictated by science & ethics;
- Think and act at systems levels, making micro / meso / macro links;
- Work collaboratively in ne(x)tworks, dispelling the illusion of separation;
- Maintain persistence even in the face of widespread resistance to a transformative agenda & active hope in the face of existential risk.
Agenda: Two

Strategy
The r3.0 Strategy Continuum visualizes progress:

- **On the horizontal axis**, from incremental to transformative strategies, with (context-based) sustainability as the midline; and

- **On the vertical axis**, from current economic system design to the emergence of a new economy, with transformation scaling up from the micro (company) level through the meso (sector / portfolio / habitat) level to the macro (economic system) level.
Reporting 3.0 Strategy Continuum – Plotting Criteria & Legend

**Horizontal Axis**

- **BAU**: No evidence of sustainability assessment / progress
- **Improving**: Evidence of incremental progress, uncontextualized vis-à-vis sustainability thresholds
- **Sustaining**: Evidence of performance improvement vis-à-vis carrying capacities of capitals / sustainability thresholds
- **Sustainable (mid-line)**: Performance meets break-even point – no worse than the sustainability threshold
- **Regenerating**: Evidence of (context-based) net-positive sustainability performance (regenerative impacts on capitals)
- **Thriving**: Evidence of gross-positive sustainability performance (no negative impacts on capitals needing to be netted out)

**Vertical Axis**

- **Micro Level**: Evidence of progress at the company level
- **Meso Level**: Evidence of company-level progress catalyzing industry / portfolio / habitat level transformation
- **Macro Level**: Evidence of company- / industry- / portfolio- / habitat-level progress that catalyzes economic / ecological / social systems level transformation
**SUSTAINABILITY**

**Context-based thresholds and allocations across multiple capitals**

**NEW ECONOMY**

**Economic system design transformation**

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**Current**

- BT’s 1.5°C Science Based Target transcends the context-based mid-line threshold at the micro / company level.
- The 1.8:1 performance (on way to 3:1 goal) triggers meso-level transformation.
- Likewise, BT’s industry level collaboration in GeSI, RE100, and other initiatives drive meso-level transformation.

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**Recommended Actions**

**Horizontal**

To move into the regenerative zone, BT would need to add “negative emissions” – ie carbon sequestration – to its portfolio. This would require BT to support significant reforestation / land use transformation toward removing “fugitive carbon” from the atmosphere. As well, BT can codify its commitment to climate by producing a “transition report” documenting all the ways in which its business models need to change in order to help achieve a <2°C world – including shifts at the governance and strategy levels.

**Vertical**

Clearly, BT’s 3:1 program represents its strongest lever to scale up sustainability through balancing out the carbon cycle, so the maturation pathway here would entail enhanced ambition (such as Dell’s 10:1 goal). As well, BT can leverage its position as a pioneer on climate stabilization amongst peer companies for industry ecosystem transformation, and more importantly at the government level, seeking to apply its climate stabilization approach to national level measurements.
Human Rights (Generic Example)

**Current**

- As John Ruggie says, the UNGPs represent norms, so a company’s use of them move it to the sustainable line.

**Recommendations**

**Horizontal**

Human Rights are largely binary at the company level, with progress gradations on the unsustainable side. The goal at the micro level is simply to uphold *all* human rights – including freedom from enslavement. Complexity arises when rights conflict.

**Vertical**

The primary maturation path on human rights / modern slavery is upscaling to the meso & macro levels – for example through supply chain engagement at the meso level. At the macro level, one could argue that human rights abuses are encoded into the DNA of monocapitalism, so advocacy for economic system transformation holds the potential to engineer human rights abuses out of the economy’s DNA.
Materiality
That all sounds great, but...

How well does materiality support:

- The understanding of and mitigation of risk
- The development of strategy
- Idea generation as part of innovation
- The ability to form a proactive view, based on foresight
- A relative view of impact and context
- A multi-capital approach to establishing significance

Weak → Strong

The Integral Materiality Process is embedded in a plan-do-check-act approach based on Reporting 3.0’s relevance principle, also cultivating the idea of ‘rightsholders’, ‘thresholds & allocations’ and ‘multicapitalism’.

The IPM is a tool to organize transition planning, e.g. towards <2 degree strategies.
Integral Materiality Process: Plan

1. Identify
   - Rightsholders to whom duties & obligations are owed

2. Identify
   - Impact areas and capitals involved

3. Identify
   - Sustainability thresholds and fair-share allocations
Integral Materiality Process: Do

- **DO**
  - **COLLABORATE**
    - With rightsholders on impact areas, thresholds + allocations
  - **SET**
    - Context-based multicapital targets + performance metrics dashboard
  - **INTEGRATE**
    - Context into risk management, governance, leadership, innovation processes
  - **INTEGRAL MATERIALITY**
  - **INTEGRAL THINKING**
Integral Materiality Process: Check

- **ASSESS**: Business model viability & sustainable future value creation
- **TEST**: <2°C Scenarios & device transition plans that address systemic risk
- **TRACK**: Performance against interim trajectory targets

CHECK
Integral Materiality Process: Act

- **Engage**: Rightsholders or sustainable business model & future value creation
- **Transition**: To net zero GHB by 2050 business strategies & models
- **Transform**: Industrial economic and society ecosystems
Doughnuts & Pies
#DoughnutsAndPies
#DoughnutsAndPies = Thresholds & Allocations


Raworth, “How to do business with doughnuts,” WEF, 2018
• Sustainability reporting draws significant meaning from the larger context of how performance at the organisational level affects economic, environmental, and social capital formation and depletion at a local, regional, or global level.

• This will involve discussing the performance of the organisation in the context of the limits and demands placed on economic, environmental, or social resources at a macro-level.

Fast Forward a Decade-and-a-Half

Is Earth recognized as a finite system in corporate responsibility reporting?

Anders Bjarrå, Niki Beya, Susse Georgb, Inge Rapkeb, Michael Zwicky Hauschilda

https://doi.org/10.1016/j.jclepro.2015.12.095

Highlights

- We systematically reviewed references to ecological limits in 40,000 CR reports.
- In 2000–2013 ≈ 5% of companies referred to ecological limits in any year.
- Of these 5%, only 31 companies planned to align performance or products to limits.

The Need: UNEP Endorses Thresholds & Allocations

A 2015 UNEP report highlights two concepts as instrumental for applying Sustainability Context:

- **Thresholds** that demarcate the carrying capacities of vital capital resources (natural, social, human, constructed, financial) and therefore divide sustainable from unsustainable performance;
- **Allocations** that apportion to companies fair shares of responsibility and accountability for their positive and negative impacts on common capital resources that are vital to stakeholder wellbeing.

The report contains two key recommendations pertaining to *Sustainability Context*:

- All companies should apply a context-based approach to sustainability reporting, allocating their fair share impacts on common capital resources within the thresholds of their carrying capacities;

- Multilateral organizations should collaborate to create a global governance body of scientists, academics, business practitioners, NGOs and other stakeholders to provide guidance on methodologies for determining ecological (and social) thresholds, as well as guidance on approaches to allocations, all of which are broadly applicable to the business level.
● Identify thresholds & norms for sustaining the carrying capacities of systems-level capital resources in the commons that are vital to stakeholder wellbeing, based on a comprehensive review of research in physical and social sciences and practice in the field.

● Design and validate allocation methodologies that apportion fair share responsibility for jointly preserving and enriching capital resources vital to stakeholder wellbeing.

● Disseminate consensus-based thresholds/norms/allocations with “off-the-shelf” ease-of-use in mind to facilitate global mainstreaming of such practices.

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